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241339Z Oct 03

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SUBJECT: ENERGY MINISTRY DENIES BOT TAKEOVER PLANS

REF: A. ANKARA 6612

[1](#)B. ANKARA 6423

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[1](#)1. (SBU) Energy Minister Guler issued a statement denying the GOT would consider seizing BOTs, but continuing to pressure companies over high electricity prices. Separately, in a meeting with Econoffs, the Energy Ministry Undersecretary took a similar line. The ENRON BOT told Post it has yet to be contacted by the Ministry. End Summary.

[1](#)2. (SBU) On October 23, Energy Minister Guler issued a statement denying press speculation that the GOT intends to seize BOT facilities (Reftel A). Guler said that there are four ways to resolve this issue: 1) mutual agreement; 2) buyout; 3) arbitration; and 4) cancellation of contracts. He said that the Ministry had been discussing these options for the past three months, and that nothing has changed. While complaining about high electricity prices (Reftel B), he said Ministry was intent on getting what it deserved, nothing more. He said that he preferred to solve the problems by compromise but Turkey reserves the right to seek arbitration to eliminate the injustice in this matter.

[1](#)3. (SBU) On October 24 Econoffs met with Undersecretary of Energy Demirbilek to clarify the GOT's position on BOTs. Demirbilek also claimed that the Ministry has no intention of taking over BOT companies. He said that the Ministry's strategy is to allow the Energy Market Regulatory Authority (EMRA) to put proposals to BOT's to ease the transition to a liberalized market. He said that if EMRA cannot move forward, then the Ministry would step in but the Ministry had to be cautious because Turkey recognized that actions that might be accepted for a contract party are not acceptable when taken by the State. He said that the MENR has asked the BOT companies to voluntarily lower electricity prices, but some were more eager for an early buyout. He argued that it would be impractical and costly for Turkey to exercise its early buyout option at this time. From his perspective, if the Ministry could lower gas prices to BOT companies by two cents and capacity charges by 2-3 cents, the BOT companies should be willing to lower their output prices. However, Demirbilek claims the BOT companies have rejected this compromise. (Comment: This may not be much of a compromise because the contract states that if gas prices are lowered, the change would be reflected in electricity prices. Moreover, the GOT sells gas to BOT companies at a higher price than to State-owned power plants. End Comment)

[1](#)4. (SBU) While criticizing the contracts, Demirbilek stressed that Turkey will not take any action outside the framework of the contract. When asked about the allegations of corruption, he explained that the Energy Ministry, which signed the original contracts, had not fully evaluated the details. He said that the AK Government had not launched a corruption investigation but was researching the terms of the contracts as any other new government has the right to do.

[1](#)5. (SBU) The General Manager of one of the BOT companies,

ENRON/Trakya, contacted us on October 24 after returning from a Board meeting in London. She noted that the company was following the press reports closely, especially speculation that the Energy Ministry would invite companies to negotiations next week. She said that the creditors should be present at any such meeting but that the Energy Ministry still had not contacted the companies. The company is seeking clarification on the government's next steps.

EDELMAN